

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric
Company (U 39-E) for Approval of Demand
Response Programs, Pilots and Budgets for
Program Years 2018-2022.

A.17-01-012
(Filed January 17, 2017)

And Related Matters.

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**RESPONSE OF OHMCONNECT, INC. TO JANUARY 4, 2019 ALJ RULING INVITING
PARTIES' PROPOSED IMPROVEMENTS TO THE DEMAND RESPONSE AUCTION
MECHANISM**

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January 11, 2019

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Pursuant to Administrative Law Judge (ALJ) Hymes's January 4, 2019 *Ruling Issuing Evaluation Report of the Demand Response Auction Mechanism Pilot, Noticing January 16, 2019 Workshop, and Denying Motion to Require Audit Reports in the Evaluation Report* ("Ruling") in the above-captioned proceeding, OhmConnect, Inc. (OhmConnect) respectfully submits via this response its preliminary recommended improvements to the Demand Response Auction Mechanism (DRAM), for consideration by the Commission and other interested parties at the January 16, 2019 DRAM stakeholder workshop.¹ Per additional guidance in ALJ Hymes's January 7, 2019 email to the A.17-01-012 et al. official service list, OhmConnect provides at this time (in the Appendix to this response) only a "general description of [its] recommendation[s]".²

Respectfully submitted,

January 11, 2019

/s/ JOHN ANDERSON

John Anderson

¹ The January 4, 2019 Ruling states (on page 4) that "Parties are invited to file proposed improvements to the demand response auction mechanism no later than Friday, January 11, 2019", and that "Parties filing proposed improvements by [this] deadline [...] shall be given an opportunity to provide a five-minute presentation of the recommended improvements during the January 16, 2019 workshop".

² See January 7, 2019 email of ALJ Hymes to A.17-01-012 et al. official service list entitled "A1701012 et al. Workshops on Demand Response Auction Mechanism Staff Evaluation Report".

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APPENDIX

Additional Proposals of OhmConnect, Inc. for Improvements to the Demand Response Auction Mechanism (DRAM)

Additional Proposals of OhmConnect, Inc. for Improvements to the Demand Response Auction Mechanism (DRAM)

A. Improvements to the Solicitation Process

1. Create an auction schedule that allows for annual auctions.

OhmConnect recommends annual rolling auctions, regardless of the contract length. The Energy Division's Evaluation of Demand Response Auction Mechanism Final Report ("Final Report") notes that "Staff's recommendation to authorize a 5-6 years DRAM extension could encompass multiple solicitations."¹ Although the recommendation suggests several different cadences of auctions, it does not explicitly suggest annual auctions. While OhmConnect is generally supportive of contract terms longer than one year, if the DRAM were to be structured such that two- to three-year contracts imply a two- to three-year gap between auctions, this could create a situation where a bidder that does not win an award is locked out of the market for several years. Such a scenario is counter-productive to the Commission's goal that the DRAM extension facilitate "robust market development and growth necessary for long-term success."² In addition, the Commission should consider utilizing the DRAM procurement to authorize off-cycle auctions in the cases where a need arises.

2. Replace the pay-as-bid auction structure with a single-clearing price auction.

OhmConnect proposes that the DRAM auction structure evolve to a single-clearing price auction. The Final Report notes the pitfalls of the existing "price-as-bid" methodology.³ Furthermore, many parties, including OhmConnect, have filed comments in A.17-01-012 et al. in support of this model.⁴ This auction design could address some of the concerns regarding secondary market transactions that were noted in the Final Report. For example, the additional transparency afforded by a single-clearing price auction could help address the argument put forward by Cal Advocates that contract reassignments "result in bidding and price information discovery, which give the Seller [...] a competitive advantage in future solicitations."⁵ Because winning bidders would all be paid the same price (perhaps delineated by product type), the purchase of a contract would not result in any additional price discovery or an unfair advantage in future solicitations.

B. Improvements in Performance and Accountability

¹ See *Final Report*, at p. 88.

² *Ibid.*

³ *Ibid.*, at p. 46.

⁴ See August 17, 2018 responses to Administrative Law Judge's Ruling Directing Responses to Questions Regarding the Demand Response Auction Mechanism Pilot: Olivine Opening Comments, pp. 5-6; CESA Opening Comments, p. 11; OhmConnect Opening Comments, p.12; Joint DR Parties, pp. 9-10.

⁵ See *Final Report*, at p. 114.

1. Allow DRPs to choose from a set of options for demonstrating ex ante capacity.

OhmConnect supports a multi-method approach to setting Supply Plan qualifying capacity for DRAM resources. Because “a one-size fits all methodology will likely not suffice,”⁶ a DRP should be able to choose one of several pre-defined and previously agreed-upon options to set qualifying capacity ex ante. We recommend adapting a method the New York Independent System Operator (NYISO) already utilizes—the Average Coincident Load (ACL)—to establish the maximum amount of load that Special Case Resources can offer into the NYISO’s Installed Capacity (ICAP) market during a specific capability period.⁷ In the case of DRAM, Sellers could calculate their California Independent System Operator (CAISO)-registered customers’ average aggregate load during historical intervals for which the CAISO wholesale price was particularly high (e.g. at or above \$300/MWh). If, for a given delivery month, this average is lower than the Seller’s contracted capacity, the Seller would reduce to this average the quantity it reports on its monthly DRAM supply plan. An adjustment would be made for expected customer growth from the time of supply plan filing to the delivery month. This method is consistent with an ex ante “reasonableness standard based on the historical aggregated load associated with the customers included in the DR resource at the time of Supply Plan submission.”⁸

2. Convert Energy Division’s proposed 30-hour dispatch requirement into an “energy delivery” requirement proportional to average monthly contract capacity.

OhmConnect recommends adopting an *energy delivery* requirement (rather than a 30-hour *dispatch* requirement) proportional to the DRP’s average monthly contract capacity from May to October. For example, if contract capacity is 1 MW in each month from May to October, the DRP would be required to deliver 30 MWh of energy in response to CAISO dispatches in the Day-Ahead Market (DAM) or Real-Time Market (RTM) over this period. The DRP should be permitted to dispatch when it chooses, and as many times as it chooses, in order to meet the cumulative energy delivery requirement. In the event there are comparatively few hours of significant grid need from May to October (as measured, for instance, by CAISO system loads or wholesale market prices), the energy delivery requirement could be reduced proportionally.

3. In the case of CAISO dispatch, Demonstrated Capacity should be based on individual customers’ best dispatch performance to ensure customers are neither over- nor under-counted.

Under the current DRAM contract, if a PDR receives multiple CAISO dispatches during the delivery month, Demonstrated Capacity is based on the PDR’s single best hour of dispatch performance.⁹ This can present two complications in cases where PDR composition changes during the delivery month (e.g. due to customer turnover). First, some customers may be

⁶ See *Final Report*, at p. 103.

⁷ See NYISO Installed Capacity Manual, at p. 129.

⁸ See *Final Report*, at p. 103.

⁹ See, for instance, section 1.6 of the 2019 DRAM Purchase Agreement.

counted multiple times due to their being in different PDRs at different points in time during the month, which biases Demonstrated Capacity upward. (This issue was raised by PG&E in its December 12, 2018 Motion in A.17-01-012 et al.¹⁰) Second, other customers may not be counted at all due to their being in different PDRs at different points in time during the month, which biases Demonstrated Capacity downward. It is ambiguous which effect will dominate.

To address each of these issues, OhmConnect proposes that Demonstrated Capacity be based on the sum of each customer's single best hour of dispatch performance during the delivery month. This will ensure that each customer who is dispatched by the CAISO during the delivery month is counted once and only once in the calculation of Demonstrated Capacity. In effect, the proposal constructs "pseudo-PDRs" comprised of a single customer each—a practice already applicable in the case of customers large enough to meet the CAISO's minimum requirement of 100 kW per PDR.

C. Improvements to DRAM Pro Forma Contracts

1. *Reduce Seller collateral requirements.*

The current collateral requirement—20% of the remaining value over the contract term—is arbitrary and unduly burdensome. The large sum needed up-front may dissuade new entrants into the DRAM that have relatively sparse operational capital, limiting the number of bids offered in any given auction and possibly increasing prices. Moreover, for these DRPs, tying up a large portion of the operating capital reduces the budget the DRP has available for program optimization and performance improvements. We propose that the Seller collateral requirements be reduced. This can be done in several ways, including:

- Reducing the percentage requirement from 20%;
- Calculating the collateral requirement based on the contract capacity rather than the value of the contract, such that a MW of capacity requires the same collateral across Sellers;
- Subjecting Sellers with multi-year contracts to a 12-month rolling collateral requirement, because one year provides sufficient time for replacement procurement if needed.

2. *Add a data-provision Service-Level Agreement that must be signed by Buyer and Seller.*

The Final Report indicates that DRPs have faced multiple, protracted, and at times insurmountable challenges receiving accurate and timely data from the IOUs.¹¹ Because unreliable data negatively impacts customer enrollment and retention, and thus a DRPs ability to

¹⁰ See December 12, 2018 *Motion of Pacific Gas & Electric Company for Permission to File the "PG&E Summary of 2018-2019 DRAM RFO Audit Analysis as of December 4, 2018" Under Seal*.

¹¹ See *Final Report*, at p. pp. 31-36, pp. 40-41, and pp. 118-120.

meet contractual obligations, the DRAM contract should provide greater assurances that meter data will be delivered within reasonable bounds of timeliness, completeness, and accuracy.

OhmConnect's proposed remedy to address these prolonged and unresolved data issues is through a Service-Level Agreement (SLA) between the IOU and (at a minimum) any provider that is fulfilling a DRAM contract with that IOU. As described in the *Protest of OhmConnect, Inc. to Applications for Improvements to Click-Through*, an effective SLA would have three components: 1) the target, 2) the notification plan, and 3) the penalty.¹² The SLA could be affixed as an Addendum to the Contract between the Buyer and Seller.

¹² See December 27, 2018 *Protest of OhmConnect, Inc. to Applications for Improvements to Click-Through*, at p. 11.